

Message Text

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15

ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01

DRC-01 /193 W

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P 051710Z DEC 73

FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 7420

USMISSION GENEVA

USEC BRUSSELS 726

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E.O. 11652: N/A

TAGS: EAGR, ETRD, SP

SUBJ: SOYBEANS: VARIABLE LEVIES; "REBATE" SYSTEM.

REF: STATE 237249, 228318; MADRID 6827, 6814 AND
6976.

1. DESPITE INTENSIVE EMBASSY EFFORTS TO OBTAIN GOS
CONFIRMATION OR DENIAL OF TRADE REPORT CONCERNING
"REBATE" SYSTEM ON SOYBEANS A DEFINITIVE REPLY CANNOT BE
PROVIDED UNTIL DEPARTMENT'S COB DEC 7. ON THAT DATE EMBASSY
OFFICERS HAVE APPOINTMENTS WITH MINISTRY OF AGRICULTURE
UNDERSECRETARY ONATE AND COMMERCE MINISTRY DIRECTORS GENERAL
AGUILAR (TRADE POLICY) AND REQUEIJO (IMPORTS AND TARIFF POLICY).
IT IS EXPECTED THAT ONCE AND FOR ALL ON THIS OCCASION
WE SHALL BE ABLE TO OBTAIN CONCRETE CLARIFICATION FROM
POLICY-LEVEL OFFICIALS IN THE GOS ON BOTH THE
VARIABLE LEVY ISSUE AS WELL AS THE "REBATE" SYSTEM.

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2. IN THE MEANTIME THE EMBASSY HAS RAISED THE WHOLE

ISSUE WITH MINISTRY OF FINANCE OFFICIALS AS A POSSIBLE AREA FOR GOVERNMENTAL ACTION AIMED AT REDUCING THE RATE OF INCREASES IN THE COST OF LIVING. THIS THEY AGREED TO STUDY AS A POSSIBLE COURSE OF ACTION. THEY POINTED OUT, HOWEVER, THAT THE ADMINISTRATION OF SUCH AN ACTION WAS OUTSIDE THEIR NORMAL KEN OF ACTIVITIES AND THAT IT THEREFORE DEPENDED UPON OTHER AGENCIES AND DEPARTMENTS WITHIN THE SPANISH GOVERNMENT.

3. IN OUR CONVERSATIONS WITH VARIOUS GOS OFFICIALS IT HAS BEEN MADE CLEAR THAT THE PROBLEM BASICALLY DERIVES FROM THE FACT THAT THE GOS PURCHASED SOYBEANS AND SOYBEAN MEAL ON THE WORLD MARKETS, SUBSEQUENT TO THE U.S. EMBARGO, PAYING VERY HIGH PRICES WHICH EQUATED TO 30 PESETAS PER KILO. THE TOTAL AMOUNT CONTRACTED FOR IS SAID TO BE IN THE RANGE OF 9 BILLION PESETAS. ONE WAY OR ANOTHER, IT WAS SAID, THE GOVERNMENT SEEKS TO RECOVER THE FULL COST OF THIS PURCHASE. THE CURRENT WORLD PRICE OF SOYBEANS OF ABOUT 14 PESETAS PER KILO, IF SOLD FREE OF CONTROLS OR INTERVENTION, WOULD FORCE THE GOVERNMENT-OWNED STOCKS PURCHASED EARLIER AT HIGH PRICES TO BE SOLD AT A LOSS. THEREFORE, THE VARIABLE LEVY OR "REBATE" SYSTEM WAS INSTITUTED.

4. WE HAVE BEEN TOLD THAT DUE TO THE FOREGOING FINANCIAL SITUATION THE PROBLEMATIC MEASURE (S) IS TRANSITORY IN NATURE. AS SOON AS THE GOVERNMENT RECOUPS THE 9 BILLION PESETAS DISBURSED IN THE EARLIER CITED PURCHASE, IT IS EXPECTED THAT THE VARIOUS DEVICES BEING USED (VARIABLE LEVY OR REBATE) WILL BE DONE AWAY WITH DEFINITELY. WE ARE THEREFORE ASKED BY THE MEDIUM-LEVEL GOS SPOKESMAN WHO PROVIDED THIS PARTICULAR LINE TO HAVE PATIENCE AND "NOT DO ANYTHING", UNTIL MORE "DATA" IS GATHERED. IN ANY CASE THE OFFICIAL IN THE COMMERCE MINISTRY WHO PROVIDED THIS INFORMATION TOLD US THE WHOLE ISSUE HAD ITS ORIGIN IN THE U.S. EMBARGO ON SOYBEANS AND WERE IT NOT FOR THAT, THIS PROBLEM WOULD NOT HAVE ARISEN. THE MOST IMPORTANT FACT THOUGH, OUR SOURCE POINTED OUT, WAS THAT THERE HAVE BEEN AND WILL BE NO REDUCTION IN THE PURCHASES OF U.S. SOYBEANS LIMITED OFFICIAL USE

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DUE TO THE MEASURE (S) WHICH ARE CURRENTLY BEING QUESTIONED.

5. THERE SEEMS NO DOUBT BUT THAT THE GOS IS WELL AWARE OF ITS GATT COMMITMENTS AND INTENDS TO ABIDE BY THEM. ON THE OTHER HAND THERE IS A CERTAIN DEGREE OF BEWILDERMENT ON THE PART OF THE GOS OFFICIALS AT WHAT APPEARS TO BE THE U.S. INABILITY TO UNDERSTAND THEIR DESIRE TO RECOVER WHAT WAS LOST DUE TO THE U.S. SUPPLY IRREGULARITIES OF THE RECENT MONTHS.

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